Chairperson, Budget and Appropriations Committee,

Principal Secretaries and Accounting Officers,

Development Partners,

Members of the Media,

Distinguished Guests,

**Ladies and Gentlemen:**

1. Good Morning. I wish to join the rest in welcoming you to the official launch of the FY2024/25 and the Medium Term Budget Preparation Process. The launch marks an important milestone in our budget calendar.

2. The Budget Making Process is anchored in the Constitution of Kenya, 2010, and the Public Finance Management Act. Article 220 of the Constitution and Sections 35(e) and 36 of the Public Finance Management Act, 2012, require this process to commence not later than 30th August of the preceding financial year. It is against this backdrop that the National Treasury and Economic Planning has issued a Circular outlining the guidelines to be followed by all National Government entities on the budget making process.
Ladies and Gentlemen:

3. Government budgeting is critical in ensuring that resources mobilized internally and externally are prioritized in the context of a sustainable framework and directed to priority programmes with highest economic impact and productivity. It is through this process that the government prioritizes and puts into action its plans, programmes, and policies as may be dictated by prevailing economic realities.

4. Realizing the central role budgeting plays in delivery of the Government Programmes, and the needs of the Citizen, we have in the recent past, continued to improve on the key aspects of the budgetary process by undertaking various reforms in public financial management. This includes the value chain budgeting approach. These reforms have gone a long way towards improving the processes, procedures, systems and overall credibility of the budgetary process. We intend to continue reforming the budget process to align it with the best practice and to ensure prudent utilization of resources and value for money.

5. The FY2024/25 and the Medium-Term Budget is being formulated against an improving economic outlook but the international environment is still constrained. According to the latest forecast, Global GDP growth in 2023 and 2024 is projected to decline from 3.5 percent in 2022 to 3.0 percent.

6. The monetary policy has to be tightened to fight inflation that is emanating from supply shocks. This has its short run consequences, it plunges the economy into a temporary recession. We have seen positive results and inflation has declined to 7.3 percent in July 2023.

7. Advanced economies are expected to witness a decline in growth, reflecting a slowdown in growth in the USA, Euro Area, and United Kingdom. Growth in the USA is expected to decline from 2.1 percent in 2022 to 1.8 percent and 1.0 percent in 2023 and 2024 respectively. The Euro Area is expected to experience a decline in growth from 3.5 percent in 2022 to 0.9 percent in 2023 and a rebound of 1.5 percent in 2024.
8. In the emerging markets and developing economies of Asia, growth is projected to rise modestly from 4.5 percent in 2022 to 5.3 percent in 2023 before declining slightly to 5.0 percent in 2024 mainly driven by the recovery of activities in China with the full reopening in 2023. In the Sub-Saharan Africa region, growth is projected to decline slightly from 3.9 percent in 2022 to 3.5 percent in 2023 before rebounding to 4.1 percent in 2024.

9. The Kenyan economy is expected to remain resilient in 2023 and grow by 5.5 percent and maintain that momentum over the medium-term. This growth outlook will be supported by, a broad-based private sector growth, including continued strong performance of the services sector and recoveries in agriculture, while the public sector consolidates.

10. Given the limited resources that the economy is likely to generate under the prevailing circumstances, MDAs are expected to critically review, evaluate and prioritize the planned activities, and accommodate the corresponding programmes within the available resource envelope.

**Ladies and Gentlemen:**

11. The FY2024/25 and the Medium-Term Budget will focus on the implementation of the Bottom-up Economic Transformation Agenda (BETA). This is geared towards economic turnaround and inclusive growth and aims to increase investments in at least five sectors with high potential impact on the economy as well as household welfare. These include:

   - Agricultural Transformation;
   - Micro, Small and Medium Enterprise (MSME);
   - Housing and Settlement;
   - Healthcare; and
   - Digital Superhighway and Creative Industry.

12. In preparing the FY 2024/25 and the Medium-Term Budget, MDAs will be required to prioritize allocations towards the achievement of the BETA priorities.
Ladies and Gentlemen:

13. The FY 2024/25 and the Medium-Term Budget will also be based on the Vision 2030 Fourth Medium Term Plan and build on the progress made in the previous financial years. The Government will continue to address the policy, legal, regulatory, and governance issues as a matter of priority to ensure optimal use of resources in execution of the planned interventions.

14. To further create fiscal space and guarantee appropriate phasing out of expenditure programmes, SWGs are required to undertake a thorough review of proposed MDAs Budgets for the FY2024/25 and the Medium Term, and ensure that the Budgets are directed towards improving productivity and achievement of MTP IV objectives. The exercise should involve the following:

- Prioritizing the Government Programmes and Projects in the sectors targeted at the nine BETA value chains namely (i) Leather, (ii) Cotton, (iii) Dairy, (iv) Edible Oils, (v) Tea, (vi) Rice, (vii) Blue Economy, (viii) Natural Resources (including mineral and forestry) and (ix) Building Materials;
- Establishing the resources required for individual programmes and projects and the level of provision within the ceilings provided; and
- Justifying each proposed programme funding with supporting documentation.

15. The BETA priorities should be mainstreamed into the regular programmes of Ministries, Departments and Agencies. The planning, and budgeting should therefore continue to embrace the value chain approach to budgeting. The value chain approach to budgeting will make sure that there are no funding gaps, no duplications and allows for efficiency in the allocation and use of resources.

Ladies and Gentlemen:

16. The Medium-Term Fiscal Framework will be anchored in the following:

   (i) Real GDP is projected to grow at 5.5 percent in 2023 and over the medium-term;
(ii) Inflation is expected to be maintained within the target range of ±2.5 percent of 5 percent;

(iii) Total Revenue will be expected to improve gradually to reach 18.3 percent of the GDP in FY 2024/25 and higher over the medium-term; and

(iv) Total expenditure is expected to decrease to below 22.3 percent of GDP in FY 2024/25 and lower over the Medium Term in line with the fiscal consolidation policy.

**Ladies and Gentlemen:**

17. The objective of the Kenya Kwanza Government is to vigorously pursue a fiscal consolidation policy that will signal debt sustainability and manageable fiscal gap. You may recall that the fiscal deficit before the Kenya Kwanza Administration was 6.2 percent of GDP. We purposefully reduced this to 5.3 percent of GDP, by June 2023, and intend to lower it further to 4.4 percent by June 2024. This will be supported by enhanced revenue mobilization, reprioritization and rationalization of expenditures but above all grow the tax base through an appropriate tax regime. This will ultimately reduce public debt and create fiscal space over the medium term to finance priority capital projects. SWGs are therefore required to prepare Medium-Term Budgets that are consistent with the Medium-Term Fiscal Framework that will be provided in the BROP 2023. Sector Working Groups are therefore expected to play a lead role in guiding the prioritization process.

**Ladies and Gentlemen:**

18. During the programme prioritization and resources allocation process, we expect the Sector Working Groups to consider and apply the following criteria:

(i) Programmes that enhance value chain and linkage to BETA priorities;

(ii) Implementation of Cabinet Decisions;

(iii) Linkage of the programme with the priorities of Medium-Term Plan IV of the Vision 2030;
Ladies and Gentlemen,

19. The Government is committed to ensuring that there is value for money in public spending. In this regard, the principles of efficiency, effectiveness and economy of public spending will strictly be enforced by ensuring that low-priority expenditures give way to high-priority programmes. By doing so, wasteful expenditures will be eliminated. The Government will also continue to intensify the fight against corruption to eliminate pilferage of public resources.

Ladies and Gentlemen:

20. As we embark on the preparation of the Budget for next Financial Year and the Medium-Term, we should be cognizant to the provisions of Article 201 of the Constitution and Section 35 (2) of the PFMA, 2012 which require public participation in all financial matters.

21. Sector Working Groups will therefore be required to identify and engage stakeholders to obtain their input during the budget preparation process.

22. The output of the Sector Working Group process will be an important input into the 2024 Budget Policy Statement (BPS), which will provide the framework for finalizing the FY 2024/25 and the Medium-Term period.

Ladies and Gentlemen,
23. As outlined in the Public Finance Management Act, 2012 and its attendant regulations, the budget process involves timely preparation of key policy documents for approval by Cabinet and Parliament.

24. To facilitate finalization and approval of the policy documents and Bills within the stipulated timeframes, Accounting Officers are required to strictly follow the schedule of activities outlined in the Budget Calendar as set out in the Treasury Circular No.8 of 2023.

Ladies and Gentlemen,

25. With those remarks, it is now my pleasure and humble duty to officially launch the budget preparation process for the FY 2024/25 and the Medium-Term.

THANK YOU